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SUBJECT: RESPONSE: IMPACT OF RISING FOOD/AGRICULTURAL COMMODITY PRICES -- NIGER

REF: (A) STATE 3941 (B) NIAMEY 423 (C) NIAMEY 414 (D)

NIAMEY 238

Introduction

¶11. (U) As one of the poorest countries in the world, Niger will be among the hardest hit by rising food prices. Post has reported on food developments (refs b, c, and especially d), and will continue to do as the situation evolves. Much will depend on the fall harvest, which will in turn depend on the summer rains and developments in world and regional markets, particularly Nigeria. Largely as a result of the 2005 food crisis, the GON and donors have implemented mechanisms to monitor the food situation. The Famine Early Warning System Network (FEWSNET) is monitoring regional developments as they relate to Niger. Following is a snapshot of the current situation, keyed to ref A tasker.

Demand

¶12. (U) Rice is the most important staple for urban consumers, although wealthier consumers also eat bread. The vast majority of rice and wheat is imported. Millet and sorghum are the most important staples for rural consumers, who comprise 85 percent of the population. Much of the millet and sorghum are grown locally by subsistence farmers. Most of those farmers do not produce enough for their own needs and resort to buying food once they have exhausted their harvest. In the last year, prices have increased by 23 percent for rice, 33 percent for bread, 17 percent for millet, 21 percent for sorghum, 44 percent for corn and 28 percent for cowpeas. (Those increases are in cfa francs. The percentage increases would be even greater in dollar terms since the cfa franc is fixed against the euro, and has therefore appreciated against the dollar.) Urban consumers may respond to higher rice and bread prices by shifting consumption to millet and sorghum. Some traders may be stockpiling cereals in anticipation of even higher prices.

¶13. (U) Niger is a net importer of food. In recent years its imports have averaged about 8 percent of its consumption. Higher fuel prices have exacerbated the effect of higher food prices, particularly in the more distant parts of the country. A conflict which began in February 2007 has made the situation particularly bad in the north, and it has also made it more difficult to assess the situation there.

Supply

¶4. (U) There has been little or no supply response to higher prices. Most agriculture is rain-fed, and the supply is therefore determined by rainfall. Most Nigerien farmers do not have the resources to increase production, and virtually all arable land is already being farmed. While most cereals are grown without irrigation or fertilizer, some fruits and vegetable farming uses irrigation and fertilizer, and is therefore adversely affected by higher fuel (for pumps) and the doubling of fertilizer prices. Rainfall this summer will determine pasturage next year, which will affect meat prices.

If pasturage is poor, herders will sell more cattle, reducing the price.

¶5. (U) The market for food in Niger is driven to a large degree by developments in its much larger southern neighbor, Nigeria. Normally Nigeria exports grain to Niger, but there are signs that the trade is now going the other way. Anything that raises prices in Nigeria will tend to pull up prices in Niger as well. The governments of Burkina Faso and Mali have restricted exports, cutting off a normal supply of food. The elimination of subsidized powdered milk imports from Europe has negatively affected Niger, particularly the domestic dairy products industry and the domestic production of plumpynut (a food aimed at malnourished children).

Political Impact

¶6. (SBU) There have not been any political protests against rising food prices -- yet. Higher food prices have contributed to demands for higher wages by the small number

NIAMEY 00000447 002 OF 003

of Nigeriens who have paid jobs. The GON suspended for three months the duties on imported rice to mitigate the effect of higher world prices. That suspension will probably be extended. Ref C provides additional detail on how the food situation is related to the ongoing conflict in the north, as well as the political and economic situation. There are reports of Nigeriens in the south-central region migrating to Nigeria in search of food.

Economic Impact

¶7. (U) Given that food constitutes a large share of the average Nigerien's budget, the higher food prices clearly represent a sharp increase in the cost of living. The GON's suspension of duties on imported rice has a large effect on the GON budget in terms of lost revenues. Demands for higher civil service salaries, fueled in large part by the rising food prices, will also likely lead to increased government expenditures. Ref B provides additional detail on the economic situation.

Environmental Impact

¶8. (U) There is no discernible environmental impact at this time.

Government Policy Response

¶9. (SBU) Food is a politically sensitive issue in Niger, particularly after the controversy over whether the 2005 food crisis was a "famine." President Tandja, whose background is the military rather than agriculture, tends to micromanage food policy, down to determining soil conservation methods

and prohibiting food for work. The prohibition of food for work programs last year necessitated revisions in the PL-480 programs, which has delayed non-emergency PL-480 food aid. The GON may be reluctant to admit the severity of the food crisis, which could delay GON and donor actions to alleviate the situation. It is also reluctant to allow free food distribution to vulnerable groups. The GON recently bought 10,000 MT of imported rice that was already in the country. It had hoped to buy 15,000 MT, but was unable to do so because prices had risen from cfa 250,000/ton less than a year ago, to cfa 318,000/ton now. It has urged traders to release food stocks. As noted above, it has suspended duties on imported rice.

Impact on Post Programs

¶10. (SBU) The food situation has not affected post programs. It could potentially lead to demands for higher wages on the part of locally engaged staff and create security issues if there is urban unrest. It clearly affects USG food aid programs. USAID does not have a mission here; Food aid is handled by the Food for Peace Office in Dakar, which may be able to provide details.

Policy Proposals

¶11. (SBU) On one level, the policy response is obvious -- ensure adequate levels of food aid for free distribution for vulnerable groups. In practice, the problem is complicated by uncertainty about the extent and details of the problem. The donor community is actively monitoring the situation, including updating the list of vulnerable populations. A donor response may be complicated by GON reluctance to admit the severity of the problem and capricious decisions regarding the type of aid it will accept and the conditions for its distribution.

¶12. (SBU) The Embassy specifically recommends that the USG treat the situation in Niger as an emergency. Niger is chronically on the verge of a food crisis, and rising world food prices will likely push it over the edge. A poor 2008 harvest will greatly exacerbate the situation. Food For Peace should have a regular presence in Niger to follow and report on developments, and coordinate with the government

NIAMEY 00000447 003 OF 003

and other donors. We recommend accelerating the delivery of planned non-emergency food. Currently, call forwards for this assistance is planned for May, with delivery in September. That lag time needs to be reduced.

KORAN